

## IRS ISSUES FALL STATISTICS OF INCOME BULLETIN

Adjusted gross income (AGI) reported on individual income tax returns for 1997 fell just short of \$5.0 trillion, a 10-percent increase over 1996, according to preliminary data released by the Internal Revenue Service today. Average AGI for 1997 was \$40,597, compared to \$37,690 for 1996. Salaries and wages, the largest source of income, was 7 percent more than the previous year. This was the largest percentage increase since 1988. Meanwhile, taxable unemployment compensation declined for the fifth straight year, dropping 11 percent from 1996. Among other sources of income, net capital gains rose 41 percent to \$356.1 billion.

For 1997, the total of itemized and standard deductions increased only 6 percent to \$1,062.5 billion. The deduction for charitable contributions increased 15 percent to \$99.2 billion. With smaller growth rates for deductions (including those for personal exemptions), taxable income, the base for computing the regular tax, increased 11 percent. As a result, total income tax increased, also 11 percent, to \$731.3 billion. This amount included alternative minimum tax (AMT), which grew 42 percent, to \$4.0 billion. AMT was reported by 618 thousand taxpayers, about 30 percent more than for 1996. Of the credits allowed against tax, the total earned income credit reported by qualifying low-income recipients reached \$30.4 billion, compared to \$28.8 billion for 1996.

There were 19.4 million taxpayers who claimed the credit, a slight decline from 1996. All of these data are from the Fall 1999 issue of the quarterly *Statistics of Income Bulletin*, just published.

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A second article reveals that 1997 partnership profits reached a record \$168.2 billion. Most of these profits were from a trade or business (\$92.9 billion), with the rest from rentals and investments. Income from real estate rentals, alone, more than doubled, from \$7.6 billion to \$17.3 billion, reflecting the continued predominance of operating and leasing of buildings as the principal activity of about one-third of all partnerships. While total partnerships grew 6 percent to 1.8 million, total partners grew 3 percent to 16.2 million.

Another article reviews 1996 activities of the 51,000 private foundations and 3,000 charitable trusts. Both these types of charitable organization are typically supported and controlled by individuals or families, but charitable trusts are not tax-exempt. Foundations made contributions, gifts, or grants exceeding \$15 billion in 1996. This was an increase of 18 percent over 1995.. Their receipts increased more than 50 percent to \$49.6 billion, due mostly to a doubling of contributions received. In contrast, charitable trusts reported receipts of \$0.5 billion. In turn, they donated \$0.2 billion.

A fourth article reports that in 1996 there were 62,000 domestic corporations controlled by a foreign person.<sup>6</sup> These corporations accounted for 11 percent of the total receipts reported by all U.S. corporations. Their profits were up by 9.0 percent for 1996. This resulted in an U.S. income tax of \$15.4 billion, 17.3 percent more than for 1995. Companies controlled by a person<sup>6</sup> in Japan accounted for over a quarter of the receipts these companies reported.

A fifth article indicates that for 1995, there were 6,700 U.S. corporations that claimed a foreign tax credit, down from 7,200 for 1994. However, the credit they claimed increased from \$25.4 billion to \$30.4 billion. This enabled them to reduce their 1995 U.S. income tax liability from \$107.5 billion to \$77.1 billion.

Overall, these corporations reported a worldwide taxable income<sup>6</sup> of \$303.3 billion, \$120.5 billion of which was from foreign sources. By country, 13 percent of the foreign taxes were paid to Japan, and 11 percent each to the United Kingdom and

Canada.

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A final article summarizes the 1996 transactions between the 545 largest foreign-owned domestic corporations (in general, with total receipts of \$500 million or more) and their more than 10,000 related foreign persons.@ These domestic corporations received \$132.5 billion from these related persons and, in turn, paid out \$212.3 billion.

The *Bulletin* includes historical data on tax collections and refunds, by type of tax. Income, deduction, and tax data are also presented for returns filed by individuals, corporations, and unincorporated businesses, with selected data presented for estates. Projections of tax returns to be filed are also included.

The *Statistics of Income Bulletin* is available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. The annual subscription is \$30 (\$37.50 foreign), single issues cost \$19 (\$23.75 foreign). For more information about these data, write the Director, Statistics of Income (SOI) Division, OP:PR:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608; check the World Wide Web at <http://www.irs.ustreas.gov>, or telephone the SOI statistical information services office at (202) 874-0410 (by e-mail, [sis@soi.irs.gov](mailto:sis@soi.irs.gov); by fax, (202) 874-0964).

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Editor=s note: See attached *Statistics of Income Bulletin* order form.